

Message Text

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ORIGIN SS-25

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DRAFTED BY P:TMDEFORD:SBA

APPROVED BY P:JJSISCO

NEA:AATHERTON

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FM SECSTATE WASHDC

TO AMEMBASSY TEL AVIV IMMEDIATE

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EXDIS

E.O. 11652: GDS

TAGS: PFOR

SUBJECT: RABIN'S REQUEST FOR \$300MILLION CIP FUNDS FOR
OIL PURCHASE AND DOLS 150 MILLION CASH GRANT

1. ON FEBRUARY 12, UNDER SECRETARY SISCO CALLED DINITZ
TO INFORM HIM OF SECRETARY'S DECISION ON ISRAELI REQUEST
FOR UNTIED CASH GRANT OF \$150 MILLION IN FY-77 AND ALLOCA-
TION OF ABOUT \$300 MILLION IN FY-77, OF CIP FUNDS, FOR
PURCHASE OF OIL EITHER FROM US OR THIRD COUNTRY.
2. SISCO INFORMED DINITZ THAT WITH REGARD TO \$150 MILLION
UNTIED CASH GRANT, WE INTEND TO INSERT THIS IN OUR FY-77
REQUEST TO CONGRESS FOR ISRAEL. WITH REGARD TO \$300
MILLION FROM COMMODITY IMPORT PROGRAM, SISCO INFORMED
DINITZ THAT WE CANNOT AGREE TO THIS REQUEST.
3. SISCO INFORMED DINITZ THAT MATTER HAD BEEN LOOKED INTO
CAREFULLY BUT THAT LEGALLY, BECAUSE CIP IS DESIGNED FOR
U.S. FUNDS TO BE USED TO BUY AMERICAN PRODUCTS OF WHICH U.S.
IS NET EXPORTER, AND U.S. IS NET IMPORTER OF OIL, IT CANNOT

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BE DONE.

4. DINITZ INTERRUPTED TO SAY OIL PURCHASE A SERIOUS PROBLEM WHICH IS OF COURSE A DIRECT RESULT OF SINAI II AND

USG'S UNDERSTANDING TO BE HELPFUL WITH ISRAEL ON THIS. DINITZ SUGGESTED THAT IN VIEW OF LEGAL DIFFICULTIES PERHAPS BEST APPROACH WOULD BE TO GET ISRAELI LEGAL ADVISER TOGETHER WITH STATE DEPARTMENT LEGAL EXPERT TO SEE IF WAY COULD NOT BE FOUND TO ASSIST ISRAEL LEGALLY IN THIS MATTER. SISCO REPLIED PURPOSE OF U.S. DOLLARS MADE AVAILABLE TO ISRAEL UNDER CIP IS TO ENABLE ISRAEL TO IMPORT VITAL COMMODITIES FROM U.S., THUS FREEING ISRAEL'S OWN FOREIGN EXCHANGE RESERVES FOR COMMERCIAL OIL PROCUREMENT, RESERVES WHICH OTHERWISE WOULD HAVE TO BE SPENT ON THOSE COMMODITIES FUNDED UNDER CIP. TO THIS EXTENT, THEREFORE, USG IS ALREADY PROVIDING ASSISTANCE TO ISRAEL TO PAY FOR ITS OIL. SISCO ADDITIONALLY NOTED THAT WE HAD TAKEN A LONG AND DEEP LOOK AT THIS QUESTION, THAT TO DO WHAT ISRAEL WANTED WOULD REQUIRE A SPECIAL WAIVER WHICH GIVEN OUR DOMESTIC ENERGY PROBLEMS WOULD RESULT IN PUBLIC CRITICISM FOR ADMINISTRATION WHEN IT BECAME KNOWN THAT AMERICAN DOLLARS WERE, FOR EXAMPLE, BUYING MEXICAN OIL FOR ISRAEL. THIS IS A DECISION WHICH WAS GONE INTO IN DEPTH AND CAREFULLY.

5. DINITZ SAID HE WOULD REPORT CONVERSATION. SISCO

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